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Turkey

Sugar Semi-annual

Turkey Semi-Annual

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Report Highlights:

Turkey is forecast to produce 2.3 million metric tons (MMT) of sugar in marketing year (MY) 2015/16 from a planted area of 300,000 hectares. Turkey's total sugar quota (beet sugar plus starch based sugar) is announced as 2,612,500 MT for MY 2015/16. The beet sugar quota is announced at 2,362,500 MT for MY 2015/16, a slight increase from the 2,327,500 MT quota for MY 2014/15 and the production is expected to meet this quota.

Executive Summary:

Turkey's sugar sector is regulated by quotas set by the Sugar Board. Turkey's total sugar quota (beet sugar plus starch based sugar) is announced as 2,612,500 MT for MY 2015/16. Post estimates the production of 18 million MT of sugar beets from a planted area of 300,000 hectares in MY2015/16.

Beet sugar production is expected to be 2.3 million metric tons in MY 2015/16. Starch based sugar quota is currently announced as 250,000 MT for MY 2015/16, however it may be increased as it was in the previous years. The beet sugar quota is announced at 2,362,500 MT for MY 2015/16.

Parliament is considering a draft regulation that was prepared by the Sugar Board which would change the current Sugar Law but all regulatory affairs are suspended until after the early elections in November 2015.

Commodities:

Sugar Beets

Sugar, Centrifugal

Production: Sugar beets

Sugar beets are planted in 4-year rotations with corn, wheat, barley, potatoes and sunflowers. Factories begin processing sugar beets in the beginning of October and finish in January, in a period called the *campaign period*.

The average national yield per decar (1,000 m²) has increased from 4.48 tons to 5.87 tons since 2008, but this figure has reached 6.36 tons in Central Anatolia (Konya region). While the planted area and the number of beet farmers have decreased in the same period, sugar beet yield has been increasing due to the adoption of modern agriculture techniques and higher quality seeds. Sugar beets require a lot of water and all the plantations in Central Anatolia use either drip irrigation or sprinklers. In MY 2015/16 Turkey is expected to produce 18,000,000 MT of sugar beets.

Production: Centrifugal Sugar

Turkey's sugar sector is regulated by quotas set by the Sugar Board. The table below provides the production quotas for the past, current and next marketing years as thousand metric tons.

	2013/2014 MY	2014/2015 MY	2015/2016 MY
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	A Quota	B Quota	TOTAL	A Quota	B Quota	TOTAL	A Quota	B Quota	TOTAL
Beet Sugar	2,200	66	2,288	2,260	67.5	2,327.5	2,250	112.5	2,362.5
Starch Based Sugar	305	-	305	250	-	250	250	-	250
Grand Total	2,505	66	2,593	2,510	67.5	2,577.5	2,500	112.5	2,612.5

The “A quota” is the amount of sugar that the producers can market domestically. The “B quota” is an additional margin allowed for producers. At the end of the campaign period, any excess sugar produced by the factories above their allocated quotas is sold as C sugar to exporters at world prices.

Turkey’s total beet sugar quota (A quota plus B Quota) is announced at 2,362,500 MT for MY 2015/16 and the allocation of this quota among sugar beet producers for MY 2015/16 are given in the below table in metric tons.

Beet Sugar Producers	A Quota	B Quota	
Turk Seker Fabrikaları A.Ş.	1,251,000	62.55	
Adapazarı Şeker Fabrikası A.Ş.	50,300	2.51	
Amasya Şeker Fabrikası A.Ş.	57,500	2.87	
Kayseri Şeker Fabrikası A.Ş.	310,000	15.50	
Keskinkılıç Gıda San. ve Tic. A.Ş.	107,000	5.35	
Konya Şeker San. ve Tic. A.Ş.	435,500	21.78	
Kütahya Şeker Fabrikası A.Ş.	38,700	1.94	
Total	2,250,000	112.50	

From the above table, Amasya, Kayseri, Konya and Kutahya have a total of 6 Sugar Factories and are members of PANKOBIRLIK (Union of Sugar Beet Producers’ Cooperatives).

There are 33 sugar beet refineries in Turkey, 25 of which belong to the state-owned Türkiye Şeker Fabrikaları A.Ş. (Turk Şeker). Total production capacity of the 33 beet sugar factories is 3.1 million metric tons (MMT) per year, and the size of the beet-sugar sector is valued at more than US\$3 billion.

While the daily average beet processing capacity of the 25 factories under Turk Seker is 3,730 MT per day, the average beet processing capacity of private sector factories is 8,125 MT.

The favorable weather conditions in MY 2015/16 (such as the late arrival of summer that lead to higher temperature differences between night and day which brings higher polarity rates in sugar beets, and a good amount of rain in October) are expected to increase sugar production to meet the given quotas.

Production: Starch-Based Sweeteners (SBS)

There are six starch based sugar (SBS) producers and the total production capacity of these 6 SBS factories is 1 MMT per year. The corn used by these producers is grown domestically.

B quota is not allocated for SBS producers, but the Cabinet has the right to increase or decrease the A quota up to 50 percent annually (they have always exercised this right towards increase in the past years). A breakdown of the SBS quota among the 6 producers for MY 2015/16 is provided below.

Starch Based Sugar Producers	A Quota
AMYLUM NİŞASTA SANAYİ VE TİCARET A.Ş.	77,953
CARGILL TARIM VE GIDA SANAYİ VE TİCARET A.Ş.	109,546
TAT NİŞASTA İNŞAAT SANAYİ VE TİCARET A.Ş.	16,067
SUNAR MISIR ENT. TES. SANAYİ VE TİCARET A.Ş.	10,948
PNS PENDİK NİŞASTA SANAYİ A.Ş.	35,486
Total	250,000

As per the domestic sales figures of Sugar Board, Starch Based Sweetener producers utilize 80 percent of their production quotas to produce isoglucose referred to as High Fructose Corn Syrup and 20 percent for glucose syrup production.

Consumption

Beet sugar is consumed 80 percent by industry and 20 percent by households. The increase in home-use and industrial sugar consumption appears to be correlated with the increase in population and GDP.

Currently, Turkey's total annual sugar and sweetener consumption is around 2.5 MMT, where SBS accounts for approximately 250,000 MT, beet sugar accounts for 2,000,000 MT, and unregistered and smuggled sugar accounts for the remainder. The portion of SBS in total sugar consumption is increasing due to increased utilization by industry.

Turkey's annual per capita consumption of sugar is estimated to be 30 kg.

Stocks

Production quotas helped deplete Turkey's sugar stocks over the last few years. Any remaining stocks would belong to Turk Şeker and they try to sell this stock at discounted prices (ranging from 5 percent to 8 percent, depending on the amount purchased) before the beginning of the new campaign period. Ending stocks were depleted MY 2014/15 due to low production, and it is expected to be 15,000 MT in MY 2015/16.

Bio-ethanol

Turkey announced a 2-percent mandatory mixture rate of bio-ethanol into fuel starting from January 2013, which was then increased to 3 percent in 2014. As an incentive, the government keeps the added bioethanol amount exempt from Special Consumption Tax. The mandate requires roughly 60,000,000

tons (76 million liters) of bio-ethanol production. However, no additional investment is required in terms of plantation or production facilities because the current bio-ethanol production capacity of Turkey is 149.5 million liters. This capacity belongs mainly to four producers; the biggest of which is Konya Şeker with a capacity of 84 million liters (from sugar beets). The others are Tarkim (from corn), Teskim (corn and wheat) and Eskişehir Sugar Plant (sugar beets).

The producers are providing bio-ethanol to their contracted gas stations (for example Tarkim works with Petrol Ofisi - the most widespread gas station in Turkey, and Konya Seker works with local gas station companies). The remaining bioethanol production is used for alcohol supply, mainly to industries such as for ink and paint production, as well as a small rate for food use.

Trade

Turkey's sugar exports increased slightly from 13,782 MT in MY 2013/14 to 14,336 MT in MY 2014/15. The major reason behind this slow growth is the political unrest going on in Turkey's largest export markets in the Middle East such as Iraq and Syria. On the other hand countries in Africa are emerging as new export markets in the past two marketing years such as Somalia, Niger and Togo but these sales are not stable and they can disappear in the following market year.

The expected increase in the beet sugar production in MY 2015/16 is expected to reflect on trade figures as a decline in imports and increase in exports in the upcoming market year.

The tariff rate on sugar imports to Turkey remains at 135 percent on the CIF value, which makes Turkey's sugar imports negligible. Import duties on products containing sugar such as candy, cookies, and chocolate vary between 8.3 percent and 15.4 percent, plus an additional tax called "agricultural contribution" is applied based on the starch/glucose ratio and milk fat percentage. This procedure was adopted from the EU system.

Export & Import Trade Matrix

The tables below give figures in metric tons for refined sugar in solid form (HS Code: 170199)

Export Trade Matrix

<i>Exports to</i>	<i>Aug 2013- Jul 2014</i>	<i>Aug 2014–Jun 2015</i>
United States	31	19
Azerbaijan	7,130	7,057
Iraq	56	2
Turkmenistan	80	60
Somalia	5000	5000
Syria	526	374
Turkish Rep. of Northern Cyprus	487	558
Lebanon	82	59
Australia	36	36

Europe Free Zone	0	404
Israel	40	292
Kuwait	0	60
Others not listed	314	415
World Total	13,782	14,336

Import Trade Matrix

<i>Imports from</i>	<i>Aug 2013- Jul 2014</i>	<i>Aug 2014- Jun 2015</i>
United States	1	23
United Kingdom	2,781	3,220
France	2,759	3,619
Germany	257	262
India	0	8,892
Brazil	456	8,164
Morocco	0	7,383
Algeria	0	9,946
Others not listed	60	937
Grand Total	6,481	42,446

Marketing:

Türk Şeker and other private producers are also wholesalers who handle the marketing of sugar to retailers. All SBS producers and distributors are private.

Wholesale price of a 50 kg bag of crystal sugar is 145 TL (US\$50) and a 50 kg bag of cube sugar is 179 TL (US\$61.7) (including 8 percent value added tax [VAT]) as of August 2015 (exchange rate for 1 US\$ is 2.9 TL).

Exporters of sugar products buy C quota sugar at world prices, and they can also import sugar under the inward processing regulation, where they do not pay the 135 percent duty imposed on sugar imports, with the precondition that they export the end product and not sell it domestically.

Policy:

Production Policy and Privatization

Quotas are significantly lower than the established production capacity of both beet sugar and SBS processing plants. This challenges all producers and leads to a consistent struggle of seeking higher quotas.

As a result of the large underutilized capacity, the Sugar Board prepared a draft communique to change the Sugar Law that has been in effect since 2001. The communique claims that the sugar sector in Turkey has undergone substantial changes and that there have also been global changes which necessitate a new law. The major changes that this draft presents and the current situation is summarized below:

1. Currently, the SBS quota is 10 percent of the beet sugar (A) quota and the Cabinet has the right to increase or decrease this quota an additional 50 percent (which creates a range of between 5 percent and 15 percent), but the new law sets the quota at a fixed 15 percent.
2. The Sugar Board shall be restructured with broader authorities and be converted to a Sugar Sector Regulation and Auditing Board.
3. Sugar is classified as food purpose and non-food industry purposes, and the sugar that will be used for non-food purposes is excluded from the announced quota regime.

The sugar beet producers object to this draft law claiming that it is biased towards supporting the SBS sector and would eventually hurt the sugar beet sector.

The law also calls for privatization efforts to continue, but the latest bids were cancelled by order of the Prime Minister. The sector wants the factories subject to privatization to be purchased by the sugar beet producers (cooperatives) so that the social aspects of the factories in the east can still be continued. For this purpose, they have proposed the separation of factories' land from the plants, and only to sell the plants in an effort to discourage the construction companies that are mainly after the land of the factories.

For more details please refer to the Sugar Annual Report dated April, 2014 (TR4012).

Production, Supply and Demand Data Statistics: Centrifugal Sugar

Sugar, Centrifugal	2013/2014		2014/2015		2015/2016	
Market Begin Year	Oct 2013		Oct 2014		Oct 2015	
Turkey	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	157	157	103	103	3	0
Beet Sugar Production	2300	2300	2055	2055	2300	2300
Cane Sugar Production	0	0	0	0	0	0
Total Sugar Production	2300	2300	2055	2055	2300	2300
Raw Imports	0	0	0	0	0	0
Refined Imp.(Raw Val)	9	9	160	43	20	20
Total Imports	9	9	160	43	20	20
Total Supply	2466	2466	2318	2201	2323	2320

